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STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1995-96)

TENTH LOK SABHA

(Action Taken on Twelfth Report of the Committee on Demands for Grants (1995-96)–Ministry of Food)

SIXTEENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 1996/Phalguna, 1917 (Saka)

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(TENTH LOK SABHA)

(Action Taken by Government on the Recommendations contained in the Twelfth Report of the Standing Committee on Food, Civil Supplies and Public Distribution on demands for Grants (1995-96) – Ministry of Food)

Presented to Lok Sabha on 7 March, 1996.
Laid in Rajya Sabha on 8 March, 1996.

LOK SABHA SECRETARIAT
NEW DELHI

March, 1996/Phalguna, 1917 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1995-96)

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Shri Shyam Bihari Misra

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Lok Sabha

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3. Shri G. Devaraya Naik
4. Shri N.J. Rathva
5. Shri Avtar Singh Bhadana
6. Dr. (Smt.) Padma
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22. Shri Lal Babu Rai
23. Shri Shashi Prakash
24. Shri Ram Awadh
25. Shri Chhote Singh Yadav
26. Shri Syed Masudal Hossain

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* Ceased to be Member of the Committee w.e.f. 15.11.95.

27. Shri Ramachandra Marotrao Ghangare
28. Shri Manoranjan Sur
29. Dr. (Smt.) K.S. Soundaram
30. Shri Birsingh Mahato

Rajya Sabha

31. Shri Sunder Singh Bhandari
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33. Shri B.V. Abdulla Koya
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39. Shri Ghufran Azam
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+41. Shri Tindivanam G. Venkatraman
42. Shri Ramendra Kumar Yadav 'Ravi'
43. Shri Kanaksinh Mohansinh Mangrola
44. Smt. Chandra Kala Pandey
++45. Shri O.S. Manian

SECRETARIAT

1. Smt. Roli Srivastava	-	*Joint Secretary*
2. Shri Krishan Lal	-	*Deputy Secretary*
3. Shri A.S. Chera	-	*Under Secretary*
4. Shri R.S. Kambo	-	*Assistant Director*

* Ceased to be Member of the Committee w.e.f. 13.9.95 consequent upon his induction into Council of Ministers.

** Ceased to be Member of the Committee w.e.f. 14.9.95 consequent upon his induction into Council of Ministers.

\+ Ceased to be Member of the Committee w.e.f. 24.7.95 consequent upon expiry of the term as Member of Rajya Sabha.

++ Nominated to the Committee w.e.f. 7.8.95.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by the Government on the Recommendations contained in the Twelfth Report of Committee (Tenth Lok Sabha) on Demands for Grants (1995-96) of Ministry of Food.

2. The Twelfth Report was presented to Lok Sabha/ laid in Rajya Sabha on 9th May, 1995. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 22nd November and 12th December, 1995. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1995-96) at their sitting held on 29th February, 1996.

3. An analysis of action taken by Government on the recommendations contained in the Twelfth Report of the Standing Committee on Food, Civil Supplies and Public Distribution (Tenth Lok Sabha) is given in Appendix II.

NEW DELHI;
1 March, 1996
11 Phalguna ,1917 (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on
Food, Civil Supplies and
Public Distribution.

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the action taken by the Government on the recommendations contained in their Twelfth Report (10th Lok Sabha) on "Demands for Grants (1995-96) of the Ministry of Food".

1.2 The Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on May 9, 1995. It contained 15 observations/recommendations.

1.3 Action Taken Notes in respect of all the 15 observations/ recommendations contained in the Report have been received and have been categorized as follows:

(i) Recommendations/Observations which have been accepted by the Government:
Para Nos. 1.22,1.32, 1.77, 1.78, 1.79, 1.105, 1.106
(Total 7, Chapter II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government reply:
Para Nos. 1.24, 1.33, 1.42, 1.56, 1.76
(Total 5, Chapter III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:
Para Nos. 1.21, 1.23, 1.64
(Total 3, Chapter IV)

(iv) Recommendations/Observations in respect of which replies of the Government are still awaited:
(Nil, Chapter V)

1.4 The Committee need hardly emphasis that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in their letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee will now deal with action taken by the Government on some of the recommendations.

Stepping up of off-take

Recommendation (Para No. 1.21)

1.6 Expressing their concern over abysmally low off-take of foodgrains from Central Pool due to narrowing of price differential between issue price and market price, the Committee had recommended as follows :-

"The Committee note that there has been hefty upswing in food subsidy Bill of the Central Government. Last year, the rise in Budget and Revised Estimate was of the order of Rs. 1100 crores. There has also been sharp increase in consumer subsidy for foodgrains carried by public agencies. Given that Government is saddled with foodgrains stock of over 25 million tonnes, the consumer subsidy for wheat and rice is now a whopping Rs. 171.20 and Rs. 137.90 per quintal. For wheat the economic cost is pegged at Rs. 572 per quintal (excluding storage and transit losses), with purchase and procurement cost at Rs. 457.00 per quintal. For rice, economic cost is Rs. 738-10 with purchase cost at Rs. 622 per quintal. The off-take of foodgrains from Central Pool has been abysmally low due to narrowing of price differential between PDS prices and open market price, thus substantially raising the subsidy bill. To contain subsidy, the Committee,

recommend that off-take should be stepped up. In this regard, increased allocations under RPDS and other anti-poverty employment generation programmes by using commodity as wage component for participants, may be considered".

1.7 The Ministry in their Action Taken reply have described in detail the various programmes/schemes under which foodgrains are supplied. These are as under :-

Revamped Public Distribution System (RPDS)

The Revamped Public Distribution System (RPDS) which covered 1700 selected blocks in desert, hilly, far-flung and remote areas and also the areas formally covered under ITDP Scheme and tribal areas at the time of its launching on Ist June, 1992, now covers 1775 blocks. The monthly allocation of foodgrains (rice and wheat) was about 6 lakh tonnes in June, 1992. The Projected requirement of foodgrains for RPDS is at present about 7.63 lakh tonnes per month. The foodgrains are issued for RPDS at a rate of Rs. 50 per quintal lower than the CIP for PDS.

Jawahar Rozgar Yojana (JRY)

As against allocation of 12 lakh tonnes of foodgrains (6.5 lakh tonnes wheat and 5.5 lakh tonnes of rice) for Jawahar Rozgar Yojana (JRY) for 1995-96, the off-take has been only 68,000 tonnes till Oct., 95, comprising 30,000 tonnes rice and 38,000 tonnes wheat.

Nutritional Programme (NP)

The off-take of wheat under the wheat based Nutrition Programme (NP) of the Deptt. of Women and Child Development has been 33,000 MT only till October, 1995 during 1995-96 against an allocation of 1.00 lakh MT.

Open sale of Foodgrains (Wheat and Rice)

During 1994-95, a quantity of 50.29 lakh tonnes of wheat and 4.54 lakh

tonnes of rice (fine and superfine) was sold by FCI under the open sale scheme. The Government has decided to continue open sale of wheat up to 55.00 lakh tonnes of wheat above CIP and below economic cost during 1995-96 against which a quantity of 20.47 lakh tonnes of wheat has been sold by FCI till the end of October, 1995. The Government has also authorised continued open sale of rice (fine and super fine) to the extent of 15.00 lakh tonnes at the rate above CIP and below economic cost during 1995-96 against which a quantity of 10.70 lakh tonnes of rice has been sold by FCI till the end of October, 1995.

Export and Open sale for Exports

The Government has authorised FCI to export/sell for export fine and superfine rice from Central Pool stocks upto 2 million MTs during 1995-96. Till October, 1995 the FCI have sold about 12.5 lakh MTs of fine and superfine rice for the purpose of export to private exporters and PSUs (STC, MMTC and PEC), and they have firm commitment to sell another 7-8 lakh MT of fine and superfine rice for export purpose.

The Government has also decided to allow export of wheat upto 2.5 million MT, without any MEP limit. In addition, FCI has also been authorised to export/sell for export non-durum wheat within a ceiling limits of 2.5 million MT from public stock during 1995-96 at the rates fixed by Government from time to time. No wheat from public stocks has yet been exported.

Sale of foodgrains under New Schemes announced by Prime Minister

The scheme for supply of wheat at subsidised rate of Rs. 1,000 per lower than the CIP for PDS for bread manufacturing to Modern Food Industries India Ltd. (MFIL) and its franchised units has been extended till 31st October, 1996. The scheme was initially started on 15th October, 1994 for one year and it was made applicable to franchised units of MFIL from February, 1995. Till August, 1995, a quantity of 1,39,769 MT wheat has been lifted by MFIL under the scheme. The franchised units of MFIL have

lifted a quantity of 15,953 MT wheat till September, 1995. The Ministry of FPI are the nodal Ministry for implementation of this programme.

A scheme for supply of subsidised foodgrains (wheat and rice) to SC/ST/OBC Hostels at RPDS rates throughout the country was commenced during 1994-95. A quantity of 2.45 lakh tonnes is estimated to be issued under this scheme during 1995-96. Upto August 1995, a quantity of 94,271 MT of foodgrains (91,189 MT rice and 3,082 MT wheat) has been lifted under the scheme. The Ministry of Civil Supplies, Consumer Affairs (Department of Consumer Affairs and Public Distribution System) are the nodal Ministry for implementation of this programme.

A quantity of 5 lakh tonnes of foodgrains per annum were earmarked for a period of 5 years for Employment Generation Programme (3.50 lakh tonnes for rural areas and 1.50 lakh tonnes for urban area). The Ministry of Rural Areas and Employment issued the scheme for rural areas. The foodgrains are issued under the scheme at the rate of Rs. 1,000 per MT lower than the CIP for PDS. Till 30th September, 1995, a total quantity of 3,191.5 MT of foodgrains had been lifted under the scheme. The Department of Small Scale Industries who were a nodal Department for formulation of the scheme for employment generation for urban areas, have not found it practicable to formulate a scheme.

A new scheme 'entitled nutrition support to primary education (Mid-Day Meals Scheme)' has been started by the Ministry of Human Resource Development (Deptt. of Education) from 15th August, 1995. The States/ UTs will be supplied foodgrains free of cost under the scheme. But FCI will charge the economic cost of foodgrains from the Ministry of Human Resource Devlopment (Department of Education). A total quantity of 41,024 MT wheat and 57.935 MT rice has been issued by FCI to the States/UTs under the scheme from 15.8.1995 to 31.10.1995.

1.8 The Committee are not satisfied with the belaboured reply furnished by the Government. The Committee had specifically recommended stepping up of off-take to off-set the food subsidy bill. It has also recommended for consideration of schemes for increased

allocation under RPDS and other anti-poverty employment generation programmes by using commodity as wage component for participants. However, a perusal of Ministry's reply reveals that no steps have been taken in this direction. There has neither been any increase in allocation of foodgrains under RPDS nor hike in off-take of foodgrains. Similarly, the off-take under JRY, a poverty alleviation programme has declined considerably as against an allocation of 12 lakh tonnes, the off-take was to the order of just 68,000 tonnes. Further, off-take of wheat was 33,000 M.Ts. against projected requirement of 1 lakh tonne in Nutritional Programmes. The record of off-take of foodgrains for Employment Generation Programme in rural sector is also not so bright. The Committee are unhappy to note that the Department of Small Scale Industries, a nodal agency for Employment Generation Programme in urban areas have dumped the scheme as impracticable without any justification or showing how it is impracticable or whether it was taken up in right earnest. The Committee have, therefore, come to conclusion that adequate steps have not been taken to improve off-take position. While appreciating that schemes like open-sale of foodgrains, Mid-day Meal Scheme, the supply of subsidised foodgrains to PSUs in bread manufacturing and supply of subsidised foodgrains to SC/ST/OBC hostels were instrumental in improving off-take position, but the desired goals are still eluding the Government. The Committee, therefore, reiterate their earlier recommendation and desire that result oriented steps should be taken to step-up the off-take of foodgrains immediately. The Committee would also like to be apprised of the steps taken and the reasons which led the Department of Small Scale Industry to state that the scheme is impracticable.

Soft loan to finance buffer stock

Recommendation (Para No. 1.23)

1.9 Emphasizing the need to maintain buffer stock for providing subsidised foodgrains to vulnerable section of the society, the Committee recommended as follows:

"The Committee are happy to note that the stocks of foodgrains held by public agencies are overflowing. As against minimum norms of 15 million tonnes, 30 million tonnes of foodgrains were stocked with public agencies, thereby incurring additional subsidy to the tune of Rs. 891 crores. The Committee note that commercial rate of interest is charged for financing buffer stocks. The Committee are of the view that buffer stocking is an insurance against unscrupulous rise in price and ensuring remunerative price to farmers and supply of subsidized foodgrains to vulnerable sections of society is a national commitment. To serve this commitment, the Committee therefore, recommend that soft loans should be provided to finance buffer stock."

1.10 The Ministry in their Action Taken reply have Stated :-

"During 1986-87, the Government of India had extended soft loans amounting to Rs. 1200 crores to the Food Corporation of India to finance buffer stocking operations. A part of the loan, amounting to Rs. 300 crores has been converted into equity capital in January, 1995. As on date soft loan amounting to Rs. 900 crores is outstanding against Food Corporation of India.

The proposal for additional soft loan to the FCI at concessional interest rates is under consideration in consultation with Ministry of Finance. A copy of the recommendation of the Standing Committee has been sent to Financial Adviser attached to the Ministry of Food as well as Secretary, Ministry of Finance for taking the recommendation of the Standing Committee into consideration."

1.11 The Committee note that recommendation of the Committee to provide soft loan to Food Corporation of India at concessional rate for financing buffer stocks have been sent to Financial Advisor in the Ministry of Food as well as Secretary, Ministry of Finance. The Committee desire that Ministry of Finance should be impressed upon the necessity and importance of charging subsidised rate of interest. The Committee would like to be apprised of the decision taken by Ministry of Finance at an early opportunity.

Irregularities in Sugar Import

Recommendation (Para No. 1.64)

1.12 Expressing serious concern over loss of Rs. 638 crores to the exchequer by delayed import of Sugar, the Committee, had recommended as follows :-

> "The Committee note that although MMTC and STC imported 9.77 lakh tonnes of sugar for PDS requirement, there was no justification whatsoever for it, as against levy requirement of 42-45 lakh tonnes in the sugar season 1993-94, the indigenous stocks were to the order of 72 lakh tonnes. The Committee are also of the opinion that had MMTC and STC contracted sugar in the months of December - January, when International prices of sugar were steady, instead of May-June 1994, when prices were ruling high, the loss to the exchequer of Rs. 638 crores incurred on imports could have been avoided."

1.13 The Ministry in their Action Taken Reply have stated:-

"In November 1993, sugar production during 1993-94 season was estimated as 107 lakh tonnes, which was revised to 104 lakh tonnes in January, 1994 and further to 96 lakh tonnes in April, 1994. The availability of levy sugar on the basis of sugar production of 104 lakh tonnes estimated in January, 1994 worked out as under ;

(In Lakh Tonnes)

	Levy	Free Sale	Total
	1	2	3
1. Opening stocks (as on 1.10.1993)	7.49	23.64	31.13
2. Estimated availability out of 104 lakh tonnes of production	34.32	69.68	104.00

	1	2	3
3. Total availability	41.81	93.32	135.13
4. Internal requirement	46.42	80.00	126.42
5. Exports	0.20	0.20	0.40
6. Total estimated requirement (up to 30.9.94)	46.62	80.20	126.82
7. Shortfall (as on 30.9.94)	(-) 4.81	13.12	8.31
8. Requirement for initial months of 94-95 (Upto 15-12.1994)	10.00	17.50	27.50
9. Total shortfail	14.81	4.38	19.19

Thus, taking into account a shortfall.of 4.81 lakh tonnes (even after diverting 2.50 lakh tonnes of free sale sugar towards levy as a loan from Industry, the deficit would still have been of 2.31 lakh tonnes) and the requirement of about 10 lakh tonnes for initial two and half months of 1994-95 season, total shortfall works out to 14.81 lakh tonnes, which could only be met through imports.

Ministry of Food had in January 1994 itself intimated that the sugar production was expected to be around 104 lakh tonnes during 1993-94 season. Considering the opening stock on 1.10.1994 of 8.31 lakh tonnes & the requirements of 27.50 lakh tonnes of sugar (both free sale & levy) for the initial 2 ½ months of new season, it was indicated that the estimated shortfall upto 15.12.1994 would be about 19.00 lakh tonnes. It was, therefore, proposed that either the Ministry of Food may be allowed to import sugar to bridge this gap of non-availability or alternatively, releases both in levy and freesale be reduced. However, due to various reasons, the final decision to authorise STC/MMTC to import "On Government Account" could not

be taken till May, 1994. After a clear cut decision on this issue was taken, STC and MMTC imported 9.77 lakh tonnes of sugar during 1994 for distribution through the Public Distribution System.

It may also be pointed out that a major country like India, when it enters international market for bulk import of Sugar, the impact on international prices of sugar are bound to show an increasing tendency, irrespective of the month of contract and actual imports. Therefore, the loss to the exchequer on account of the contracts being made in May-June, instead of December–January, cannot be specifically computed.

1.14 The Committee note that the reply furnished by Ministry of Food is silent on the observation of the Committee that there was no justification for import of sugar by MMTC and STC for PDS, as against the levy requirement of 42-45 lakh tonnes, the indigenous stock was of the order of 72 lakh tonnes. The Committee desire that the views of Ministry in this regard should be furnished expeditiously.

The Committee are not convinced with the arguments advanced by the Ministry that due to various reasons there was delay of 5 months in arriving at final decision to import sugar. The Committee would like the Government to spell out the reasons which led to the delay in taking decision. The Committee are of the view that had the decision taken with utmost promptness and alacrity, imports could have been effected at much lower price.

Staggered Procurement

Recommendation (Para No. 1.22)

1.15 While advocating a need of staggered procurement of foodgrains with graduated price structure, the Committee recommended as follows:–

> "The Committee note that foodgrains production of 182 million tonnes in 1993-94 was higher by 2 million tonnes as compared to 1992-93 level. The procurement of foodgrains also continues to

expand. A record level of stocks of foodgrains are presently held by public agencies. With prospects of bright Rabi Crop season, there is every likelihood of further increase in procurement thereby putting considerable pressure on storage. The Committee, therefore, recommend that staggered procurement with graduated price structure should be introduced to ease the storage problem.

1.16 The Ministry in their Action Taken Reply have stated:-

"A proposal for procurement of wheat in a staggered manner was considered in the Ministry of Food. However keeping in view the fact that the peak procurement period (April to June, 1995) of the current Rabi Marketing Season 1995-96 is already over and that a quantity of 122.25 lakh tonnes of wheat has been procured upto 28 June, 1995 against the market arrivals of 130.34 lakh tonnes, it has since been decided not to pursue the policy of staggered procurement of wheat in the Rabi Procurement seasons, 1995-96 However the proposal to stagger the procurement of wheat in the Rabi procurement season, 1995-96. However, the proposal to stagger the procurement of wheat will be considered while planning for procurement in the 1996-97 Rabi Marketing Season."

1.17 The Committee are happy to note that Government have agreed in principle to consider the recommendation while planning for procurement in 1996-97 Rabi Marketing Season. The Committee would like to be apprised of the outcome thereof.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1.22)

The Committee note that foodgrains production of 182 million tonnes in 1993-94 was higher by 2 million tonnes as compared to 1992-93 level. The procurement of foodgrains also continues to expand. A record level of stocks of foodgrains are presently held by public agencies. With prospects of bright Rabi crop season, there is every likelihood of further increase in procurement thereby putting considerable pressure on Storage. The Committee, therefore, recommend that staggered procurement with graduated price structure should be introduced to ease the storage problem.

Reply of the Government

A proposal for procurement of wheat in a staggered manner was considered in the Ministry of Food. However keeping in view the fact that the peak procurement period (April to June, 1995) of the current Rabi Marketing Season 1995-96 is already over and that a quantity of 122.25 lakh tonnes of wheat has been procured upto 28 June, 1995 against the market arrivals of 130.34 lakh tonnes, it has since been decided not to pursue the policy of staggered procurement of wheat in the Rabi procurement season, 1995-96. However, the proposal to stagger the procurement of wheat will be considered while planning for procurement in the 1996-97 Rabi Marketing Season.

[Ministry of Food, OM No. G. 20017/21/94-95/Budget dt. the 12th December, 1995]

Recommendation (Para No. 1.32)

The Committee note that open market sale of foodgrains was primarily undertaken to reduce carrying cost, to bring down the inventory level

of stocks and to stablise the price-line. The Food Corporation of India could sell 79 lakhs metric tonnes of wheat against an authorised limit of 110 lakhs metric tonnes. The sale scheme of rice, however, did not pick up and only 4.69 lakh tonnes against an authorised limit of 15 lakh tonnes were sold. The Committee learnt that Roller Flour Mills made bulk purchase and small traders could not reap the benefit of the scheme due to inadequate publicity. The Committee therefore, recommend that FCI should re-orient their marketing strategy by launching an aggressive multi-media publicity blitz in far flung areas so that the benefit under the scheme could be realised by small traders also.

Reply of the Government

FCI is already doing wide publicity about open sale scheme of wheat and rice for domestic market. Press releases are done by various regions even in local/vernacular languages for wide publicity of the scheme. For launching of an aggressive multi-media publicity in far-flung areas for the benefit of small traders, the recommendation is noted for compliance. Incidentally, it is added that for the benefit of small traders, the minimum unit of sale of wheat was reduced to 5MT in all depots located at metropolitan towns and depots served with railway sidings and one MT in all depots located at revenue districts/sub-divisional headquarters w.e.f. 1.2.1995. The minimum unit of sale of rice prescribed under the open sale scheme is 10 bags only. Instructions have also been issued to field offices for according priority to small traders approaching the FCI for purchase of wheat and rice.

[Ministry of Food, OM No. G-20017/21/94-95/Budget dt. the 12th December, 1995]

Recommendation (Para No. 1.77)

The Committee also note that certain centres have been identified in hilly, inaccessible and disadvantageous areas, where FCI propose to construct godowns in the year 1994-95 to maintain regular and continuous flow of PDS items. The Committee are of the view that availability of suitable sites and clearance from environment and forest angels, pose main challenges in constructing godowns in these areas. The Committee hope and trust that these problems would be sorted out before the commencement of civil works and godowns constructed within the stipulated time frame.

Reply of the Government

The observation of the Committee have been noted and every efforts will be made to sort out the environmental and other clearance for our construction programmes before the commencement of the civil works. It is however mentioned that so far no such problems have been faced by the Corporation and substantial progress has been made in respect of 12 centres where FCI has planned to construct the godowns during 1995-96, as may be evident from the centre-wise details given below :

1. **Kulu (H.P.) - 1670 MT**

Land has been already acquired. Work has been awarded during May's 95 for construction of 1670 tonnes capacity godown and ancillaries.

2. **Jowai (Meghalaya) - 5,000 MT**

Land has been already acquired. The work is likely to be taken up shortly by the CPWD on "deposit work" basis.

3. **Shimla (H.P.) - 2500 MT**

The land initially identified was not suitable for construction of godowns. Efforts are being made to locate another site.

4. Mau (U.P.) - 5,000 MT

Land has been identified and the matter regarding providing half rake loading facilities is under consideration in consultation with the concerned Railway Authorities.

5. Chamba (H.P.) - 1670 MT

Forest land has been identified and the matter regarding acquisition is being pursued vigorously with Principal Chief Conservator of Forests, Shimla.

6. Jiribam (Manipur) - 2500 MT

Compensation towards the cost of Land has been paid to the respective State Governments. Physical possession of land will be taken shortly.

7. Agartala (Tripura) - 5,000 MT

Compensation towards the cost of land has been paid to the respective State Governments. Physical possession of land will be taken shortly.

8. Dimapur (Nagaland) - 10,000 MT

Land has been already acquired. The work is likely to be taken up shortly by the CPWD on "deposit work" basis.

9. Kohima (Nagaland) - 2500 MT

Compensation towards the cost of land has been paid to the State Government. Physical possession of land will be taken shortly.

10. Payanur (Kerala) - 25000 MT

Advance possession of the land has been taken during March' 95. Preparatory works are in progress.

11. Bharuch (Gujarat) - 10,000 MT

The proposal is under reconsideration since the capacity at this centre hired from State Govt. is found to be inadequate for the present.

12. Neora (M.P.) - 10,000 MT

Advance possession of the land has been taken during February, 1995. Sanction has been accorded for construction of godowns during May' 95 and tenders have been invited.

[Ministry of Food, OM No. G-20017/21/94-95/Budget dt. the 22nd November, 1995]

Recommendation (Para No. 1.78)

The Committee note that in the context of mounting stock level of foodgrains, lower off-take and high procurement of foodgrains, there is a storage constraint. At present, FCI is hiring capacity from Central Warehousing Corporation, State Warehousing Corporations and ARDC/ private bodies, but the hired capacity is inadequate to meet the demand in full. It also came out during evidence that godown of Agricultural Marketing Cooperative Societies which exist at block levels, generally remain vacant. The Committee, therefore, recommend that FCI should hire these godowns to make good the shortfall.

Reply of the Government

The suggestion has been noted and the instructions are issued by FCI to its Field Officers to hire storage worthy godowns of Agricultural Marketing Cooperative Society at the block level, if required and operationally viable.

(Ministry of Food, OM No. G-20017/29/94-95/Budget dt. the 22nd November, 1995)

Recommendation (Para No. 1.79)

The Committee also note that godowns are presently hired from private parties on short term basis. The Committee are of the opinion that for ensuring business guarantee for a longer duration and need to curtail escalation costs incurred on hiring/dehiring, a review of hiring/dehiring process is required. The Committee therefore, recommend that godowns should be hired on long-term basis.

Reply of the Government

FCI had empowered its Regional Managers to hire storage accommodation from private parties and other sources depending upon the business reservation or guarantee basis not more than two to three years.

Now SRMs of Punjab, Haryana, U.P. and Rajasthan has been authorised to hire about 5.2 million tonnes i.e. 2.00 million tonnes covered and 3.2 million tonnes CAP capacity from private parties on long term basis upto a period of 6 years for covered accommodation and 3 years for CAP capacity extendable for two years in both the cases on the same terms and conditions.

(Ministry of Food, OM No. G-20017/21/94-95/Budget dt. the 22nd November, 1995)

Recommendation (Para No. 1.105)

The Committee note that under post Harvest Operations, various schemes are being run by network of Indian Grain Storage Institute, Save Grain Campaign Teams and Quality Control Cell and Central Grain Analysis Laboratory, in an effort to reduce post harvest losses. The Committee are perturbed to note that a meagre amount of Rs. 12 crores was approved by Planning Commission in operating these Schemes against an initial requisition of Rs. 38 crores, The amount was further reduced to Rs. 10 crores. As a result "Development of Nucleus villages as demonstration unit," an important plan scheme could take off only at the fag end of 1992-93. Further Plan Schemes such as loans to State Governments for storage bins,

pesticides also suffered for want of adequate resources. The committee are of the firm view that the sacrosanct task to prevent storage losses at farm stage cannot be accomplished by this highly depressed allocation. The committee therefore, recommend that more funds should be made available for all the schemes under post Harvest Operations so that these do not suffer on account of resource crunch.

Reply of the Government

A proposal for a sum of Rs. 38.40 crores was submitted to Planning Commission for the Scheme 'Post Harvest Operation' during 8th Five Year Plan (1992–97). Out of this proposal of Rs. 38.40 crores, a sum of Rs. 8.01 crores was approved for the Year 1992–93 which was later reduced to Rs. 3.60 crores as the total allocation for the 8th Five Year Plan (1992–97) was approved as Rs. 12 crores. Secretary (Food) had immediately taken up the matter with Planning Commission for restoration of original allocation of Rs. 38.40 crores, keeping in view the importance of the programme but the same was not agreed to. The programme was accordingly modified.

As regards loan to State Government for making available metal storage bins to farmers an amount of Rs. 40 lakhs (20 lakhs each was provided during 1992-93 and 1993-94) was provided to State Government of Tamil Nadu. A circular was issued to all State Govts./U.Ts. to make use of loan amount for fabrication and sale of metal storage bins enclosing therewith the detailed terms and conditions for grant of loan. As there was no encouraging response from the state Governments, the Regional Director (S&R) of Save Grain Campaign teams have been asked to obtain suggestions from State Governments under their jurisdiction for liberalisation, amending the terms and conditions governing the loan assistance to be provided to State Govt. An exercise for framing annual Plan 1996-97 is in progress. Necessary extracts have been sent to the Planning Commission so that they could keep them in mind while formulating plan for 1996-97 and 9th plan 1997-98 to 2001-2002.

[Ministry of Food, O.M No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

Recommendation (Para No. 1.106)

The metallic and Reinforced Concrete Cement (RCC) bins are modern scientific storage structure. The committee are of the view that when the Government agencies are struggling to find accommodation for the country's bumper crop the relevance and role of RCC and metallic bins assume greater importance. Although states were financially assisted for fabricating an sale of metal storage bins, the scheme did not make much headway. It came out during evidence that many State Agro. Industries Corporation hitherto involved in making storage bins stopped these activities for want of adequate resources. The Committee view this with concern and recommend that steps should be taken to popularise the use of metallic and RCC bins which will not only prevent post harvest losses at farm stage but also provide necessary relief to FCI and other public agencies involved in procurement and stocking of foodgrains.

Reply of the Government

In regard to popularisation of the use of non-metallic and metallic storage structures like pucca kothi, RCC bins, metal bins etc., Save Grain Campaign teams are arranging training demonstration and various publicity programmes so as to create awareness about the adoption of improved types of bins in the rural areas. During the demonstration programme, Save Grain Campaign teams get the RCC bins, Pucca Kothi, constructed in the farmers houses for which various identified inputs such as outlets, inlet, polythene sheet etc. worth Rs. 300/- per structure are provided to farmers. Improvements, in the traditional storage structures, are also carried out so that the existing storage structures prevalent in the rural areas is made storage-worthy.

In order to popularise non-metallic & metallic storage structures including RCC bins at farm level, Artisan Training courses for 10 days duration have been introduced from the year 1992-93 to train the rural artisans through Indian Grain Storage Institute and its five field stations. Each IGSI Station conducts two training courses having 25 trainees in each course in which each successful trainee is given a stipend of Rs. 500/-. In this way 12 such

courses are organised every year. The basic objective of organising training courses is to create a band of trained rural artisans who in turn can construct modern improved non-metallic structures/metallic storage structures in the rural areas as per the requirement of the farmers. This will also help artisans in generating self employment.

[Ministry of Food, O.M No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENTS REPLIES.

Recommendation (Para No. 1.24)

Currently a large part of food subsidy does not go either to the producers or the consumers but towards the management of the procurement and distribution structure of Food Corporation of India and Public Distribution System. The Committee are of the opinion that inspite of massive procurement, distribution and storage activities undertaken by the Corporation, their operating cost is on the high side. The Committee, recommend that in order to evaluate and rationalize their cost structure, an in-depth study should be commissioned on this aspect of the matter.

Reply of the Government

The Bureau of Industrial Costs & Prices (BICP) had conducted a study of the Cost of operations of Food Corporation of India and submitted its report to the Government in June, 1990. Follow up action was taken by the Government upto 1992. In view of recent implementation of various recommendations of BICP, further study by BICP or any other agency may not be worthwhile at this juncture. The aforesaid facts are brought to the notice of the Hon'ble Committee for their consideration.

[Ministry of Food, O.M No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

Recommendation (Para No. 1.33)

The prices fixed under this scheme were higher than PDS issue price but lower than economic cost, thereby involving an element of subsidy. It

came out during evidence that the Roller Flour Mills who had been supplied wheat at subsidised rates were selling Atta, Maida & other bye-products of wheat at exorbitant rates, thus negating the very purpose of this scheme. The Committee, therefore, recommend that corrective steps should be taken to protect the interests of consumers by passing the necessary relief to them.

Reply of the Government

Since FCI is selling wheat under Open Market sale Scheme (OMSS) to buyers including RFMs, licensed foodgrains wholesalers and retailers (wherever the condition of licence is prescribed by the State Govt.), State Civil Supplies Corporations, Cooperatives etc. dealing in foodgrains with the objective of stabilising the open market price behaviour of wheat and at the same time to liquidate certain stocks to minimise carrying cost of stocks and hence subsidy, M/o Food is not in a position to exercise any control on the bye-products of wheat being sold by RFMs such as Atta, Maida and other bye-products at exorbitant rates etc. However, all the states where open sale of wheat is in operation, have been advised to ensure the availability of wheat products to consumer at reasonable rates in view of the wheat being sold to them at highly subsidised rates.

[Ministry of Food, O.M. No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

Recommendation (Para No. 1.42)

The Committee are satisfied to learn that FCI has been authorised to undertake exports of wheat and rice which was till now an exclusive domain of STC and MMTC. However, the export potential of Indian wheat is not so bright as we happen to produce soft wheat having low international demand which consequently affects the export price. Moreover, Indian wheat is not able to match the specifications of the international market. The Committee are of the opinion that in order to earn precious foreign exchange, there is a need to improve the marketability potential of Indian wheat. The Committee, therefore, recommend that Government should evolve a package of incentives for stimulating the production and export of hard wheat. The

infrastructural facilities available to ports needs to be augmented. Extension of fiscal incentives to traders undertaking export should also be considered. At the same time, Committee would emphasise that efforts should be made to produce quality wheat conforming to the international standards.

Reply of the Government

The Committee has made the following 3 recommendations in paragraph 1.42 reproduced above.

(i) Government should evolve a package of incentives for stimulating the production and export of hard wheat. At the same time, the Committee emphasises that efforts should be made to produce quality wheat conforming to the international standards.

(ii) The infrastructural facilities available at the ports needs to be augmented.

(iii) Extension of fiscal incentives to traders undertaking export should also be considered.

2. The Ministries of Agriculture, Surface Transport and Commerce respectively are concerned with the above mentioned recommendations of the Committee. The recommendations were communicated to them for taking necessary action under intimation to the Ministry of Food.

3. As regards recommendation (i) above, regarding package of incentives for stimulating the production and export of hard wheat and producing quality wheat conforming to the international standards, the Ministry of Agriculture has informed that under Integrated Cereals Development Programme (ICDP) efforts are being made to popularise the latest released varieties of wheat, including the durum wheat, by providing certified seeds on subsidy of Rs. 200/- per qtl. to the farmers on varieties notified during the last 15 years. In addition, that Ministry is also encouraging States having potential of producing durum wheat for taking up special programmes for

production of durum wheat in identified areas.

4. Regarding recommendation for augmentation of infrastructural facilities available at the Ports, the Ministry of Surface Transport has informed that during the 8th plan (1992-97) there is no provision for augmenting the facilities at any of the major ports for handling export of foodgrains. Since the prospect of export of foodgrains on long term basis is not known and there is no provision in 8th plan for port sector for augmentation of facilities, it may not be possible for the Ministry of Surface Transport to undertake any such augmentation.

5. As regards the recommendation for extension of fiscal incentives to the traders undertaking export, the Ministry of Commerce have informed that no special fiscal incentives are considered necessary to be offered to the traders.

[Ministry of Food, O.M No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

Recommendation (Para No. 1.56)

The Committee are pained to observe unabated rise in transit and storage shortages. In the year 1989-90, shortages valuing Rs. 87.89 Crores (Rs. 67.86 Crores as transit and Rs. 20.03 Crores as storage shortages) shot up to an astronomically high figure of Rs. 214.20 Crores (Rs. 126.26 Crores as transit and 87.94 Crores as storage shortages) in the year 1993-94. The losses incurred on account of misappropriation by employees, theft etc., forming part of shortages also rose from Rs. 13 lakhs to Rs. 2.9 Crores during the same period. Every year, food subsidy contains a substantial portion as shortages. For instance, in the year 1993-94, the subsidy of Rs. 4420 Crores included Rs. 159 Crores as shortages. The subsidy and shortages for the years 1994-95 and 1995-96 are Rs. 4455 and Rs. 5413 and Rs. 215 and Rs. 222 Crores respectively. The Committee are not satisfied with the various preventive and administrative actions taken, as shortages continue to surmount. The Committee are of the view that losses incurred on account of shortages are draining the precious resources and recommend

that concerted and result oriented efforts should be made to reduce these avoidable losses.

Reply of the Government

"From the stage of procurement of foodgrains upto the point of issue of stocks to the State Governments, stocks are being moved over long distances and are being stored in godowns at various stages for varying periods. This entire process involves multiple handling of stocks. On certain routes because of break of rail gauge (*i.e.* Broad Gauge to Metre Gauge and *vice versa*) stocks are to be transhipped.

Main reasons for storage and transit shortase are :

(a) Storage Shortages

	At Mandies	**At Godowns/CAP**
(i)	Driage	Driage
(ii)	Short filing	Damages
(iii)	Spillages	Spillages
(iv)		Weeviling due to insects,
		Rats and
(v)		Birds
(vi)		High Metabolic rate
(vii)		Cleaning & upgradation

(b) TRANSIT SHORTAGES

(i) Splillages at loading points, unloading points.
(ii) Theft/ Pilferages en-route.
(iii) Spillages due to holes in wagons, flaps doors.
(iv) Non-issue of clear Railway Receipt (RRs) by Railways.
(v) Driage during long transit.
(vi) Spillages at transhipment points.

Action taken to Control the Shortages :

Food Corporation has taken a number of steps to control the shortages. Some of the important are :-

(a) Strict enforcement of specifications steps during procurement of foodgrains.

(b) Installation of weighbridges in all FCI godowns for capacity of 5,000 tonnes and above and installation of in-motion wagon weighbridges.

(c) Reducing CAP storage as and when possible.

(d) Avoidance of movement of foodgrains in open wagons.

(e) Ensuring strict quality control measures during procurement and storage.

(f) Improvement in size and quality of gunnies.

(g) Encouraging machine stitching of bags.

(h) Regular Physical Verification of Stocks.

(i) Ensuring up-to-date maintenance of depot records.

(j) Vigorous squad checkings at loading and unloading points and depots.

(k) Immediate follow up action on squad reports.

(l) Deployment of CISF at Vulnerable depots.

No doubt the losses have shown increasing trend in monetary terms but as far as quantity is concerned, there is a downward trend in the total losses.

During the year 1991-92 the total storage and transit losses were of the order of 5.90 lakh MT which came down to 5.02 and 4.17 lakh MT during the year 1992-93 and 1993-94 respectively.

[Ministry of Food, O.M No. G-20017/21/94-95/Budget dt. the 12 December, 1995]

Recommendation (Para No. 1.76)

The Working Group of Storage and Warehousing for Eighth plan had recommended the creation of additional capacity by FCI at micro level basis to take care of regional imbalances and the need to create adequate capacity in remote, hilly and other inaccessible area. In the Eighth plan period against an original planned capacity of 10 lakh tonnes, the actual achievement would not be more then 6.6 lakh tonnes. The Committee are of the view that in the context of burgeoning stock levels of foodgrains, emerging new procurement areas, change in operational needs such as uniguage Railways Network and initial inertia shown by private parties in leasing their godowns on hiring basis, the storage shortages will persists. The Committee are of the opinion that PDS in North-eastern and other locationally disadvantageous area is very precarious and apprehend that if regional imbalances are not removed, there is every likelihood of collapse of PDS. Moreover, under RPDS in FCI/CWC operated areas, neither State Governments nor Ministry of Civil Supplies, Consumer Affairs and Public Distribution are constructing godowns. The Committee, therefore, recommend that FCI should strive to achieve the targets set forth by Planning Commission in all the States and North Eastern and other hilly areas in particular. As the private parties have not evinced keen interest in leasing their godowns, the Committee recommend that FCI should review their hiring and de-hiring policy to enthuse them. To overcome resource crunch coming in way of realising capacity, private participation in godowns construction activities under BOT (Built Own and Transfer) basis should be explored. To attract private participation land and finance should be made available to them at concessional rates."

Reply of the Government

During the 8th plan (1992-97), the Ministry had proposed an outlay of Rs. 177.00 crores for the construction of additional capacity of 10.00 lakh tonnes by FCI. However the actual outlay approved by the Planning Commission for the 8th plan was Rs. 120.00 crores. On account of this reduced outlay and keeping in view the cost escalation FCI may not be able to achieve anything above 6.6 lakh tonnes during the 8th plan. Against this target of 6.6 lakh tonnes, so far FCI has achieved about 3.14 lakh tonnes of covered godowns with budgetary support plus 83,000 tonnes of convertible plinths with its own/borrowed resources.

During the current year the FCI proposes to create a storage capacity of about 1.43 lakh tonnes. Thus by the end of 4th year of the Current Plan Period FCI would achieve about 4.6 lakh tonnes covered capacity at an estimated expenditure of Rs. 86 crores.

The FCI expects to achieve the balance target during the year 1996-97.

As regards creating of additional capacities in hilly and inaccessible areas it is stated that during the last 10 years beginning from 1984-85, FCI constructed a total storage capacity of about 1.7 lakh MTs in the hilly and inaccessible areas in the country including NEF. The State-wise and location-wise details of the storage capacity created by FCI in the NEF is furnished under Annexure-I. Details of the storage capacity created in hilly and remote areas other than NEF is furnished under Annexure-II.

Annexure-III contains the details of :-

(i) Capacity created during VIIIth plan by FCI;

(ii) Capacity under construction and likely to be completed in 1995-96, and;

(iii) Centres identified/proposed for future;

Regarding encouraging private participating in construction activity, FCI

is constantly reviewing its hiring/dehiring policy. It has offered higher rates both for covered and CAP capacities to attract more offers from the private parties to let out their godowns to the FCI. Secondly, Food Corporation of India has also decentralised full powers for hiring as well as dehiring to the field officers so that there is no delay in decision making and consequent harassment to the parties. Since construction of godowns by the private parties for storage of foodgrains is not a normal investment activity only the godowns constructed by the private parties under ARDC Schemes are available for hiring either by the FCI or by other public agencies. It may be mentioned here that under phase-I to IV of the ARDC Schemes about 5 million tonnes of storage capacity was created with the assistance of Agricultural Refinance Development Corporation under tripertite agreement with the parties, Bank and the FCI, of this F.C.I. is having about 3.5 million tonnes. The remaining had been hired either by the CWC or other agencies and very little is available for hiring by the FCI, however, attractive terms of hiring may be.

Presently, the Banks/NABRAD are not interested in extending financial assistance to the private parties without long term guarantee of utilisation by the FCI. However, keeping in view the agriculture production cycle and trend, F.C.I. finds it difficult to extent guarantees for more than 5 to 6 years. Hence the second attempt, made a few years back to get the storage capacity built up in the private sector by making finance available by the Banking sector, failed.

The F.C.I. has, therefore, considered it desirable to invite direct offers from the private parties against 6 years guarantee utilisation, especially in Punjab, Haryana, UP and Rajasthan where the storage crunch is being felt more acutely on account of successive good production and procurement. The response under this scheme is under scrutiny of the ZM of F.C.I.

The F.C.I. share is around 30% of the total purchases under the Central Pool. Therefore, those who are involved in the purchases of the 70% of wheat and paddy under price support must also develop their storage complexes to store and preserve foodgrains till these could be taken over by the FCI and dispersed to the consuming regions. Secondly, the FCI has

also no resources of its own. Whatever godown facility it creates it is dependent entirely on the budgetary allocation of the Govt. of India. Therefore, on account of the resource constraints of the FCI and the heavy investment requirement in construction of storage facilities it will not be economically viable proposition either for the private parties or for the FCI to think of a BOT type agreement.

However, the State Government which is the main beneficiary under PDS and other Government employment generating schemes may consider building small godowns under private sector by making land and finance available in the private sector at cheaper rate.

In so far as creation of additional capacity in North-Eastern States and other locationally disadvantageous areas by CWC is concerned, Central Warehousing Corporation is at present operating a total capacity of 85,727 tonnes in N.E. States and 5495 tonnes in Himachal Pradesh. The centre-wise details are in Annexure-IV. The proposal of CWC to set up warehouses in hilly, inaccessible and other locationally disadvantageous areas are given in Annexure-V.

ANNEXURE-I

STORAGE CAPACITY CREATED IN N.E. AREA BY F.C.I.

REGION	CENTRE	CAPACITY (In 000 tonnes)	STATE
1984-85		Nil	
1985-86			
NEF	Imphal	2.50	Manipur
1986-87			
NEF	Jogigopa	5.00	Meghalaya
	Banderdeva	5.00	Arunachal Pradesh
		10.00	
1987-88			
NEF	Kharsang	5.00	Arunachal Pradesh
	Bhalukpong	5.00	Arunachal Pradesh
	Kolasib	5.00	Mizoram
	Ukhrul	5.00	Manipur
		20.00	
1988-89			
NEF	Lunglei	3.00	Mizoram
	Mokokchong	2.50	Nagaland
	Dharamnagar	3.34	Tripura
	Rangpoe	3.34	Sikkim
		12.18	

1989-90			
NEF	Tuensang	2.50	Nagaland
1990-91			
NEF	Dharamnagar	6.66	Tripura
1991-92			
NEF	Mon	2.22	Nagaland
	Churalbari	1.67	Tripura
		3.89	
	G. Total	57.73	

ANNEXURE-II

STORAGE CAPACITY CREATED IN HILL AND REMOTE AREAS BY FCI

REGION	CENTRE	CAPACITY (In, 000 tonnes)
1984-85		
J&K	Jammu	6.68
Kerala	Thikhodi	10.00
		16.68
1985-86	NIL	NIL
1986-87		
J&K	Jammu	2.50
1987-88		
J&K	Jammu	2.50
	Anantnag	3.92
		6.42
1988-89		
J&K	Doda	2.50
	Kathua	5.00
	Chatha	5.00
		12.50

REGION	CENTRE	CAPACITY (In ,000 tonnes)
1989-90		
U.P.	Bazpur	5.00
H.P.	Una	2.50
J&K	Chatha	5.00
		12.50
1990-91		
U.P.	Pithoragarh	2.50
J&K	Leh	2.50
	Rajouri	2.50
H.P.	Nurpur	5.00
Kerala	Mavelikara	10.00
	Thikkodi	5.00
Andaman & Nikobar Island	Port Blair	5.00
		32.50
1991-92		
U.P.	Bazpur	5.00
Kerala	Karunagapalli	10.00
		15.00
	G. Total	**98.10**

ANNEXURE-III

STORAGE CAPACITY CREATED/PROPOSED TO BE CREATED BY FCI IN HILLY/INACCESSIBLE AND REMOTE AREAS DURING 8TH PLAN

Capacity Created by FCI

Centre/State	Capacity (In tonnes)	Rem
1. Hamirpur (Himachal Pradesh)	1670	
2. Kargil (J&K)	2500	
3. Poonch (J&K)	2500	
4. Passighat (Arunachal Pradesh)	2500	(1992-94)
Total	9170	

II. North East: (**Under construction/and likely to be completed in 1995-96**

Mizoram

1. Lawngtlai	3840
2. Aizwal	5000
3. Bhairabi	5000*
	13840

*2500 already completed (1994-95).

III. Centres identified/proposed

1. Shimla (Himachal Pradesh)	2500	
2. Kullu (Himachal Pradesh)	1670	Targetted for 1995-96
3. Chamba (Himachal Pradesh)	1670	
4. Satpuli (Uttar Pradesh)	2500	
5. New Tehri (Uttar Pradesh)	2500	

6.	Gopeshwar (Uttar Pradesh)	2500	
7.	Baramulla (Jammu & Kashmir)	5000	
8.	Udhampur (Jammu & Kashmir)	25000	
9.	Srinagar (Jammu & Kashmir)	5000	Targetted for 1995-96
10.	Kishtwar (Jammu & Kashmir)	2500	
11.	Jowai (Meghalaya)	5000	Targetted for 1995-96
12.	Jiribum (Manipur)		
13.	Agartala (Tripura)	5000	
14.	Kohima (Nagaland)	2500	
15.	Dimapur (Nagaland)	10000	
16.	Lumding (Assam)	10000	
		85,840	

ANNEXURE -IV

STATEMENT SHOWING THE LIST OF CENTRAL WAREHOUSES IN THE NORTH-EASTERN REGION AND HIMACHAL PRADESH WITH THEIR CAPACITY IN M.T. BY CWC

S.No.	Name of the Centre	Capacity in MT
Assam		
1.	Guwahati	8,600
2.	Dhubri	10,100
3.	Jorhat-I (R)	10,500
4.	Jorhat-II	5,000
5.	Sarbhog	10,000
6.	Sipajhar	627
	Total	44,827
Mizoram		
1.	Aizwal	1,500
Manipur		
1.	Imphal	2,400
Nagaland		
1.	Dimapur	13,000
Tripura		
1.	Agartala	19,250
2.	C.S. Agartala	4,750
	Total	24,000
	Total in N.E. Region	85,727

S.No.	Name of the Centre	Capacity in MT
Himachal Pradesh		
1.	Solan	3,000
2.	Mandi	2,495
	Total:-	5,495
	Grand Total in N.E. Region and Himachal Pradesh	91,222

ANNEXURE -V

CENTRE-WISE DETAILS COF WAREHOUSES TO BE CREATED BY CWC IN HILLY, INACCESSIBLE AND OTHER LOCATIONALLY DISADVANTAGEOUS AREAS.

	Centre/State/Ut.	Capacity in MT.
1.	Jaklabanda (Assam)	3,000
2.	Panitala (Assam)	10,000
3.	Jhalukbari (Assam)	20,000
4.	Hailakandi (Assam)	2,500
5.	Imphal (Manipur)	5,000
6.	Dimapur (Nagaland)	5,000
7.	Kohima (Nagaland)	3,000
8.	Champai (Mizoram)	5,000
9.	Udaipur (Tripura)	10,000
10.	Dharamnagar (Tripura)	5,000
11.	Kumarghat (Tripura)	2,000
12.	Byrnihaut (Meghalaya)	5,000
13.	Sikkim	5,000

[Ministry of Food O.M. No. G/2001/21/94-95/Budget dt. the22nd November 1995]

CHAPTER -IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE.

Recommendation (Para No. 1.21)

The Committee note that there has been hefty upswing in food subsidy bill of the Central Government. Last year, the rise in budget and Revised Estimate was of the order of Rs. 1100 crores. There has also been sharp increase in consumer subsidy for foodgrains carried by public agencies. Given that Government is saddled with foodgrains stock of over 25 million tonnes, the consumer subsidy for wheat and rice is now a whopping Rs. 171.20 and Rs. 137.90 per quintal. For wheat the economic cost is pegged at Rs. 572 per quintal (excluding storage and transit losses), with purchase and procurement cost at Rs. 457.00 per quintal. For rice, economic cost is Rs. 738.10 with purchase cost at Rs. 622 per quintal. The off-take of foodgrains from Central Pool has been abysmally low due to narrowing of price differential between PRS prices and open market price thus substantially rising the subsidy bill. To contain subsidy, the committee, recommend that off-take should be stepped up. In this regard, increased allocations under RPDS and other anti-poverty employment generation programmes by using commodity as wage component for participants, may be considered.

Reply of the Government

1. Revamped Public Distribution System (RPDS)

The Revamped public Distribution system (RPDS) which covered 1700 selected blocks in desert, hilly, far-flung and remote areas and also the areas formally covered under ITDP Scheme and tribal areas at the time of its launching on 1st June 1992, now covers 1775 blocks. The monthly allocation of foodgrains (rice and wheat) was about 6 lakh tonnes in June, 1992. The Projected requirement of foodgrains for RPDS is at present

about7.63 lakh tonnes per month. The foodgrains are issued for RPDS at a rate of Rs. 50 per quintal lower than the CIP for PDS.

Jawahar Rozgar Yojana (JRY)

As against allocation of 12 lakh tonnes of foodgrains (6.5 lakh tonnes wheat and 5.5 lakh tonnes of rice) for Jawahar Rozgar Yojana (JRY for 1995-96, the off-take has been only 68,000 tonnes till Oct, 95, comprising 30,000 tonnes rice and 38,000 tonnes wheat.

3. Nutritional Programme (NP)

The off-take of wheat under the wheat based Nutrition Programme (NP) of the Deptt. of Women and Child Development has been 33,000 MT only till October, 1995 during 1995-96 against an allocation of 1.00 lakh MT.

4. Open sale of Foodgrains (wheat and rice)

During 1994-95, a quantity of 50.29 lakh tonnes of wheat and 4.54 lakh tonnes of rice (fine and superfine) was sold by FCI under the open sale scheme. The Government has decided to continue open sale of wheat upto 55.00 lakh tonnes of wheat above CIP and below economic cost during 1995-96 against which a quantity of 20.47 lakh tonnes of wheat has been sold by FCI till the end of October, 1995. The Government has also authorised continued open sale of rice (fine and super fine) to the extent of 15.00 lakh tonnes at the rate above CIP and below economic cost during 1995-96 against which a quantity of 10.70 lakh tonnes of rice has been sold by FCI till the end of October, 95.

5. Export and Opensale for Exports.

5.1. The Government has authorised FCI to export/ sell for export fine and superfine rice from Central Pool stocks upto 2 million MTs during 1995-96. Till October, 95 the FCI have sold about 12.5 lakh MTs of fine and superfine rice for the purpose of export to private exporters and PSUS (STC, MMTC and PEC); and they have firm commitment to sell another 7-8 lakh MT of fine and superfine rice for export purpose.

5.2. The Government has also decided to allow export of wheat upto 2.5 million MT, without any MEP limit. In addition, FCI has also been authorised to export/sell for export non-durum wheat within a ceiling limit of 2.5 million MT from public stock during 1995-96 at the rates fixed by Govt. from time to time. **No wheat from public stocks has yet been exported.**

Sale of foodgrains under New Schemes announced by Prime Minister.

6.1. The schemes for supply of wheat at subsidised rate of Rs. 1,000 per lower than the CIP for PDS for bread manufacturing to Modern Food Industries India Ltd. (MFIL) and its franchised units has been extended till 31st October, 1996. The Scheme was initially started on 15th October, 1994 for one year and it was made applicable to franchised units of MFIL from February, 1995. Till August, 1995, a quantity of 1,39,769 MT wheat has been lifted by MFIL under the scheme. The franchised units of MFIL have lifted a quantity of 15,953 MT wheat till September, 1995. The Ministry of FPI are the nodal Ministry for implementation of this programme.

6.2. A scheme for supply of subsidised foodgrains (wheat and rice) to SC/ST/OBC Hostels at RPDS rates throughout the country was commenced during 1994-95. A quantity of 2.45 lakh tonnes is estimated to be issued under this scheme during 1995-96. Upto August 1995, a quantity of 94,271 MT of foodgrains (91,189 MT rice and 3,082 MT wheat) has been lifted under the Scheme. The Ministry of Civil Supplies, Consumer Affairs (Department of Consumer Affairs and Public Distribution System) are the nodal Ministry for implementation of this programme.

6.3. A quantity of 5 lakh tonnes of foodgrains per annum were earmarked for a period of 5 years for Employment Generation Programme- 3.50 lakh tonnes for rural areas and 1.50 lakh tonnes for urban areas. The Ministry of Rural Areas and Employment issued the scheme for rural areas. The foodgrains are issued under the scheme at a rate of Rs. 1,000 per MT lower than the CIP for PDS. Till 30th Sept, 1995 a total quantity of 3,1915 MT of foodgrains had been lifted under the scheme. The Deptt. of Small Scale Industries who were the nodal Deptt. for formulation of the scheme for

employment generation for urban areas, have not found it practicable to formulate a scheme.

6.4 A new scheme entitled 'nutrition support to primary education (Mid-Day Meals Scheme)' has been started by the Ministry of Human Resource Devl. (Deptt. of Education) from 15th August, 1995. The States/UTs will be supplied foodgrains free of cost under the scheme. But FCI will charge the economic cost of the foodgrains from the Ministry of Human Resource Devl. (Deptt. of Education). A total quantity of 41,024 MT wheat and, 57.935 MT rice has been issued by FCI to the States under the scheme from 15.8.1995 to 31.10.1995.

[Ministry of Food, O.M. No. G-20017/21/94-95/Budget dt. the 12th December, 1995]

Comments of the Committee

(Please *see* para No. 1, of Chapter I)

Recommendation (Para No. 1.23)

The Committee are happy to note that the stocks of foodgrains held by public agencies are overflowing. As against minimum norms of 15 million tonnes, 30 million tonnes of foodgrains were stocked with public agencies, thereby incurring additional subsidy to the tune of Rs. 891 crores. The Committee note that commercial rate of interest is charged for financing buffer stocks. The Committee are of the view that buffer stocking is an insurance against unscrupulous rise in price and ensuring remunerative price to farmers and supply of subsidized foodgrains to vulnerable sections of society is a national commitment. To serve this commitment, the Committee therefore, recommend that soft loans should be provided to finance buffer stocks.

Reply of the Government

During 1986-87, the Government of India had extended soft loans

amounting to Rs. 1200 crores to the Food Corporation of India to finance buffer stocking operations. A part of the loan, amounting to Rs. 300 crores has been converted into equity capital in January, 1995. As on date soft loan amounting to Rs. 900 crores is outstanding against Food Corporation of India.

The proposal for additional soft loan to the FCI at concessional interest rates is under consideration in consultation with Ministry of Finance. A copy of the recommendation of the Standing Committee has been sent to Financial Adviser attached to the Ministry of Food as well as Secretary, Ministry of Finance for taking the recommendation of the Standing Committee into considerations.

[Ministry of Food, O.M. No. G-20017/21/94-95/Budget dt. the 12th December, 1995]

Comments of the Committee

Please *see* para No. 1.11 of Chapter I)

Recommendation (Para No. 1.64)

The Committee note that although MMTC and STC imported 9.77 lakh tonnes of sugar for PDS requirement, there was no justification whatsoever for it, as against levy requirement of 42-45 lakh tonnes in the sugar season 1993-94, the indigenous stocks were to the order of 72 lakh tonnes. The Committee are also of the opinion that had MMTC and STC contracted sugar in the months of December, January, when international prices of sugar were steady, instead of May-June 1994, when prices were ruling high, the loss to the exchequer of Rs. 638 crores incurred on imports could have been avoided.

Reply of the Government

In November 1993, sugar production during 1993-94 season was estimated as 107 lakh tonnes, which was revised to 104 lakh tonnes in

January, 1994 and further to 96 lakh tonnes in April, 1994. The availability of levy sugar on the basis of sugar production of 104 lakh tonnes estimated in January, 1994 worked out as under :

(In Lakh Tonnes)

	Levy	Free Sale	Total
1. Opening stocks (as on 1.10.1993	7.49	23.64	31.13
2. Estimated availability out of 104 lakh tonnes of production	34.32	69.68	104.00
3. Total availability	41.81	93.32	135.13
4. Internal requirement	46.42	80.00	126.42
5. Exports	0.20	0.20	0.40
6. Total estimated requirement (Upto 30.9.94)	46.62	80.20	126.82
7. Shortall as on 30.9.94)(-)	4.81	13.12	8.31
8. Requirement for initial months of 1994-95 (upto 15.12.1994)	10.00	17.50	27.50
Total shortfall	14.81	4.38	19.19

Thus, taking into account a shortfall of 4.81 lakh tonnes (even after diverting 2.50 lakh tonnes of free sale sugar towards levy as a loan from Industry, the deficit would still have been of 2.31 lakh tonnes) and the requirement of about 10 lakh tonnes for initial two and half months of

1994-95 season, total shortfall works out to 14.81 lakh tonnes, which could only be met through imports.

Ministry of Food had in January 1994 itself intimated that the sugar production was expected to be around 104 lakh tonnes during 1993-94 season considering the opening stock on 1.10.1994 of 8.31 lakh tonnes & the requirement of 27.50 lakh tonnes of sugar (both free sale & levy) for the initial 2 ½ months of new season, it was indicated that the estimated shortfall upto 15.12.1994 would be about 19.00 lakh tonnes. It was, therefore, proposed that either the Ministry of Food may be allowed to import sugar to bridge this gap of non-availability or alternatively, releases both in levy and freesale be reduced. However, due to various reasons, the final decision to authorise STC/MMTC to import " On Government Account" could not be taken till May, 1994. After a clear cut decision on this issue was taken, STC and MMTC imported 9.77 lakh tonnes of sugar during 1994 for distribution through the Public Distribution System.

It may also be pointed out that a major country like India, when it enters in International Market for bulk import of sugar, the impact on international prices of sugar are found to show an increasing tendency, irrespective of the month of contract and actual imports. Therefore, the loss to exchequer on account of the contracts being made in June, instead of December – January, cannot be really computed.

[Ministry of Food, O.M. No. G-20017/21/94-95/Budget dt. the 22nd November, 1995]

Comments of the Committee

(Please *see* para No. 1.14 of Chapter I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

-NIL-

NEW DELHI
1 March, 1996
11 Phalguna, 1917 (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on
Food, Civil Supplies and
Public Distribution.

APPENDIX I

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 29TH FEBRUARY, 1996.

The Committee sat from 15.00 Hours to 15.35 Hours on 29.2.1996.

PRESENT

Shri Shyam Bihari Misra CHAIRMAN

MEMBERS

Lok Sabha

2. Shri N.J. Rathava
3. Shri A. Jayamohan
4. Shri Pawan Diwan
5. Shri V. Krishna Rao
6. Shri Bijoy Krishna Handique
7. Shri Lakashman Singh
8. Shri Naresh Kumar Baliyan
9. Dr. Ramkrishna Kusmaria
10. Shri Kabindra Purkayastha
11. Prof. Ram Kapse
12. Shri Syed Masudal Hossain
13. Shri Ramchandra Marotrao Ghangare
14. Dr. (Smt.) K.S. Soundaram
15. Shri Birsingh Mahato

Rajya Sabha

16. Shri Sunder Singh Bhandari
17. Shri Sudhir Ranjan Majumdar
18. Shri Tara Charan Majumdar

19. Shri Moolchand Meena
20. Shri Jagannath Singh
21. Shri Kanaksinh Mohansinh Mangrola
22. Shri O.S. Manian

SECRETARIAT

1.	Smt. Roli Srivastava	-	*Joint Secretary*
2.	Shri Krishan Lal	-	*Deputy Secretary*
3.	Shri A.S. Chera	-	*Under Secretary*
4.	Shri R.S. Kambo	-	*Assistant Director*
5.	Shri P. K. Sharma	-	*Editor*

I. Consideration and adoption of Draft Sixteenth Report

2. The Committee considered the draft Sixteenth Report on Action Taken by the Government on the recommendations contained in the Twelfth Report of the Committee on Demands for Grants (1995-96), Ministry of Food. The Committee adopted the report without any amendment.

II. Consideration and adoption of Draft Seventeenth Report

3. xx xx xx

4. The Committee authorised the Chairman to finalise the Draft Reports and present / lay the Reports in both Houses of Parliament.

The Committee then adjourned.

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xx Not related to this report.

APPENDIX II

(Vide Introduction of the report)

Analysis of Action Taken by the Government on the recommendations contained in the Twelfth Report of Standing Committee on Food, Civil Supplies and Public Distribution (Tenth Lok Sabha).

I.	Total Number of Recommendations.	15
II.	Recommendations/Observations which have been accepted by Government Sl.Nos. 1.22, 1.32, 1.77,1.78,1.79,1.105,1.106. Total Percentage	 7 46.66
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies Sl.Nos. 1.24,1.33,1.42,1.56,1.76 Total Percentage	 5 33.34
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee Sl.Nos. 1.21, 1.23, 1.64 Total Percentage	 3 20.00
V.	Recommendation/Observation in respect of which final reply of Government is still awaited	–

NIL